

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY ANTANANARIVO
TO SECSTATE WASHDC 643
INFO DIA WASHDC
AMEMBASSY LONDON

LIMITED OFFICIAL USE ANTANANARIVO 1140

E.O. 11652: N/A
TAGS: EAIR, BEXP, MA, US
SUBJ: LOCKHEED HERCULES NEGOTIATIONS WITH MADAGASCAR

REF: A) ANTA 859; (NOTAL) B) STATE 152099 (NOTAL)

1. LOCKHEED SALES REP PUTNAM ARRIVED ANTANANARIVO JUNE 13 AND MET WITH APPROX FIFTEEN REPS VARIOUS GDRM MINISTRIES (INCLUDING FINANCE AND CENTRAL BANK) JUNE 14 AND 15, WITH DATT PROVIDING FACILITATIVE ASSISTANCE. FOR UNKNOWN REASONS LOCKHEED DROPPED HASTINGS CAPITAL AS POTENTIAL SOURCE OF FINANCING FOR MALAGASY PURCHASE OF TWO HERCULES. NEW SOURCE PROPOSED BY LOCKHEED IS CHALEGARD BANKING AND TRUST COMPANY, LONDON BRANCH, 243 REGENT ST., LONDON W1, ENGLAND. ACCORDING TO LOCKHEED, THIRTY MILLION DOLLARS ARE "AVAILABLE FOR UP TO TEN YEARS WITH OPTIONS OPEN TO MADAGASCAR AS TO WHETHER THEY DESIRE A PRINCIPAL REPAYMENT GRACE PERIOD OF SEVERAL YEARS, LEVEL AMORTIZATION OVER THE TEN YEARS, OR A BALLOON ON THE PRINCIPAL IN THE TENTH YEAR. INTEREST TO BE PAID EACH YEAR IN ARREARS. INTEREST RATE WILL BE LESS THAN THEIR CURRENT BORROWING/CURRENT MARKET RATE, WHICH IS IMPORTANT TO MADAGASCAR, WILL BE THE EFFECTIVE RATE TO BORROWER INCLUDING ALL FEES. THEY LIMITED OFFICIAL USE

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SHOULD NOT BE TOO CONCERNED WITH FRONT END FEES, BUT RATHER THE EFFECTIVE RATE."

2. BECAUSE OF THE SUDDEN AVAILABILITY OF THIS FINANCING AT WHAT APPEARS TO BE FAVORABLE TERMS, MINDEF SEC-GEN HAS OPTED TO RETAIN ALL ORIGINAL SPECIFICATIONS AND OPTIONS, THE CURRENT PRICE FOR WHICH

IS ABOUT TWENTY-SEVEN MILLION THREE-HUNDRED THOUSAND DOLLARS.

3. BY 10000 JUNE 17, THE MALAGASY MINISTERS OF FINANCE AND OF TRANSPORTATION ARE TO HAVE BOTH SIGNED A LETTER ADDRESSED TO DR. JOHN GALLARD, CHAIRMAN OF THE CHALEGARD B & T COMPANY, EXPRESSING THEIR INTEREST IN OBTAINING FINANCING AND REQUESTING TERMS AND CONDITIONS.

4. PUTNAM HAS BEEN AUTHORIZED TO SIGN A SALES CONTRACT WITH MADAGASCAR CONTINGENT UPON GHE GDRM'S OBTAINING ACCEPTABLE FINANCING WITHIN SIXTY DAYS. THIS WILL GUARANTEE TERMS (\$27,300,000 WITH BOTH DELIVERIES IN THIRD QUARTER 1979) OF CURRENT PROPOSAL, WHICH OTHERWISE EXPIRES JULY FIRST.

5. DATT REPORTS THAT NEGOTIATIONS ARE PROCEEDING AT AN UNUSUAALLY RAPID RATE AND THAT MORE COOPERATION IS BEING OFFERED PUTNAM BY THE GDRM THAN HAS HITHERTO BEEN EXPERIENCED.
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
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Disposition History: n/a
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